MT LEGISLATIVE HISTORY

Chapter 336 1977

Bill H ____ (S) 111 Original bill & hist. ___C

H. Committee on Natural Resources

S. Committee on Business & Industry

Hearing Date(s)			Hearing Date(s)		
	Mar 09	✓C		Jan 29	✓C
	Mar 17	✓C			___C
		___C			___C
		___C			___C
Date Out	Mar 17	✓C		Jan 29	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Senate BILL NO. 111

INTRODUCED BY Mathers Turnage

A BILL FOR AN ACT ENTITLED: "AN ACT TO DEFINE THE TERM "ENHANCED RECOVERY"; TO SUBSTITUTE THE TERM "ENHANCED RECOVERY" FOR THE TERMS "PRESSURE MAINTENANCE" AND "SECONDARY RECOVERY"; AND TO PROVIDE FOR RECOVERY OF COSTS OF AN ENHANCED RECOVERY PROGRAM INITIATED SUBSEQUENT TO A SECONDARY RECOVERY PROGRAM; AMENDING SECTIONS 60-126, 60-131.1, AND 60-131.3, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 60-126, R.C.M. 1947, is amended to read as follows:

"60-126. Definitions. As used in this chapter, unless the context requires otherwise:

(1) "Waste" means: (1) physical waste, as that term is generally understood in the oil and gas industry; (2) the inefficient, excessive, or improper use of, or the unnecessary dissipation of reservoir energy; (3) the location, spacing, drilling, equipping, operating or producing of any oil or gas well or wells in a manner which causes, or tends to cause, reduction in the quantity of oil or gas ultimately recoverable from a pool under prudent and proper operations, or which causes or tends to cause unnecessary or excessive surface loss or destruction of oil or gas; and, (4) the inefficient storing of oil or gas. The production of oil or gas from any pool or by any well to the full extent that the well or pool can be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the board, is not waste within the meaning of this definition.

(2) "Board" means the board of oil and gas conservation provided for in section 82A-1508.

(3) "Person" means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind, and includes any agency or instrumentality of the state or any governmental subdivision thereof.

(4) "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form by ordinary production methods, and which are not the result of condensation of gas before or after it leaves the reservoir.

(5) "Gas" means all natural gases and all other fluid hydrocarbons as produced at the wellhead and not defined as oil in subsection (4) of this section.

(6) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both; each zone of a structure which is completely separated from any other zone

LC 0664/01

in the same structure is a pool, as that term is used in this chapter.

(7) "Field" means the general area underlaid by one (1) or more pools.

(8) "Owner" means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas he produces therefrom either for himself or others or for himself and others, and the term includes all persons holding such authority by or through him.

Nothing herein contained shall be construed to conflict with subsection (4) of section 81-1702, granting the state board of land commissioners the authority to enter into pooling and unitization agreements for the production of oil or gas with others.

(9) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

(10) "Department" means the department of natural resources and conservation provided for in Title 82A, chapter 15.

(11) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or by the application of energy extrinsic to the pool; such artificial means or application includes pressuring, cycling, pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in secondary recovery and

tertiary programs but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the well by mechanical, chemical, thermal, or explosive means."

Section 2. Section 60-131.1, R.C.M. 1947, is amended to read as follows:

"60-131.1. Operation of pool as unit -- board to hold hearing -- notice. (1) The board, upon the application of persons owning leasehold interests underlying sixty per cent (60%) of the surface within the delineated area, shall hold a hearing to consider the need for the operation as a unit of one (1) or more pools or parts thereof in a field, for ~~pressure maintenance or secondary recovery~~ enhanced recovery purposes as to oil or oil and gas, to increase ultimate recovery, or to prevent waste of gas from pools or portions of pools where gas only is produced.

(2) At least sixty (60) days prior to application, the applicant shall, by registered or certified mail, notify all known persons owning an interest in the oil and gas within the proposed unit area as disclosed by the records of the county or counties in which the proposed unit area is situated, at that person's last known address, of the applicant's intention to make the application. At the same time producers shall be furnished with a plan of unit

operations. Upon written request of an operator of a lease which is in whole or in part within the confines of the proposed delineated area, the applicant shall furnish the operator with copies of any exhibits to be submitted to the board at the time of hearing."

Section 3. Section 60-131.3, R.C.M. 1947, is amended to read as follows:

"60-131.3. Terms and conditions of order -- requirements. The order shall be upon terms and conditions that are just and reasonable and shall prescribe a plan for unit operations that shall include:

(1) A description of the pool or pools or parts thereof to be so operated, termed the unit area, but only so much of a pool as has reasonably been defined and determined by drilling operations to be productive of oil or gas may be included within the unit area. If the unit is formed solely for production of gas, a spacing unit on which is located a well producing or capable of producing gas on March 1, 1971, may not be included in the unit area without the written consent of the majority in interest of the working interest owners of the spacing unit and well.

(2) A statement of the nature and purpose of the plan and operations contemplated, together with a copy of the proposed unit agreement and unit operating agreement.

(3) A plan for allocating to each tract in the unit

area its fair share of the oil and gas produced from the unit area and not required or consumed in the conduct of the operation of the unit area or unavoidably lost. A plan may not be approved by the board until it has considered the relative value that the share of production bears to the relative value of all of the separately owned tracts in the unit area, exclusive of physical equipment utilized in unit operations. In considering this relative value, the board shall weigh the economic value of the gas to all persons affected as compared to the economic value of the oil to all persons affected.

(4) A provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operations.

(5) A provision providing how the costs of unit operations, including overhead and capital investments, shall be determined and charged to the separately owned tracts, including a provision for carrying or otherwise financing any owner who has not executed the proposed unit operating agreement and who elects to be carried or otherwise financed, allowing an interest charge of the then current prime rate plus two per cent (2%) for the service. Recovery of the money advanced, plus interest, shall be

limited to, and only shall be recoverable from, the owners' share of production. The recovery shall be as follows:

(a) (1) In the case of a field producing oil, or oil and gas, during the period of depletion of the remaining estimated primary reserves from the unit, only from the production that is in excess of the owners' average actual rate of production during the eighteen (18) months immediately preceding the effective date of the unit. For purposes of this subsection, the term "primary reserves" means the oil or gas which would be produced from the unitized pool or pools ~~or~~ as a result of the natural energy therein and without the introduction of ~~a secondary~~ an enhanced recovery program.

(2) During the period subsequent to the depletion of the remaining estimated primary reserves from the unit, from one hundred per cent (100%) of the owners' share of production.

(b) In the case of a field producing only gas, the recovery shall be from one hundred per cent (100%) of the owners' share of production.

(c) In the case of any enhanced recovery program that is initiated subsequent to a secondary recovery program, the recovery shall be from .75% of the owners' share of production.

(6) A provision for the supervision and conduct of the

unit operations, in respect to which each owner shall have a vote with a value corresponding to the percentage of the costs of unit operations chargeable against the interest of the owner.

(7) A provision whereby the unit operator, after having operated for a minimum period of two (2) years, can be challenged by any other owner in the unit, and the challenging owner may succeed to the unit operations upon a showing that: (a) he can operate more efficiently and economically than the present operator; (b) he is qualified and financially responsible; (c) a majority of the other owners, both in number and in percentage and exclusive of the challenged operator, approved the challenging owner becoming unit operator; and, (d) the challenged operator does not initiate the conditions of operations of the challenging owner within sixty (60) days of the challenged operator's receipt of the conditions of operations.

(8) The time when the unit operations shall commence, and the manner in which, and the circumstances under which, the unit operations shall terminate; and

(9) Such additional provisions that are found to be appropriate for carrying on unit operations and for the protection and adjustment of correlative rights."

-End-

STATE OF MONTANA

REQUEST NO. 569-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 21, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 111 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 111 defines certain terms relative to the production and exploration of oil and gas.

FISCAL IMPACT:

None. Senate Bill 111 defines terms and recovery of costs of an enhanced recovery program and has no effect on revenues or expenditures.

Richard L. Ivan fpa

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-22-77

January 27, 1977
11:00 a.m.

MINUTES OF THE MEETING

BUSINESS AND INDUSTRY COMMITTEE

MONTANA STATE SENATE

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in Room 404 of the State Captiol Building at 11:00 a.m.

ROLL CALL: All members were present with the exception of Senator Kolstad who was excused.

SENATE BILL 91. "An Act To Amend Sections 6-501 And 82-1133, R.C.M. 1947, Relating To Bid Security On Public Contracts."

Chairman Hazelbaker introduced Senator Lloyd Lockrem, District 32, Chief Sponsor of this bill. Senator Lockrem stated this is a bill that was requested by the Legislative Post Audit Committee. He stated that the Board of Examiners had been operating on the basis of the Attorney General's Opinion that required only a 5% deposit. This bill would increase it to 10%. He hoped that the Committee would see fit to give SB 91 a Do Pass.

Larry Huss, Montana Contractors Association, asked that this bill be given a Do Pass.

Senator Devine made a motion that Senate Bill 91 Do Pass. Senator Peterson, seconded. All were in favor.

SENATE BILL 111. "An Act To Define The Term "Enhanced Recovery"; To Substitute The Term "Enhanced Recovery" For The Terms "Pressure Maintenance" and "Secondary Recovery"; And To Provide For Recovery Of Costs Of An Enhanced Recovery Program Initiated Subsequent To A Secondary Recovery Program; Amending Sections 60-126, 60-131.1, and 60-131.3, R.C.M. 1947."

Senator Mathers, Chief Sponsor of SB 111, was not able to make the meeting so Raymond K. Peete, Attorney from Billings, Montana, testified in favor of the bill. His testimony is attached.

Chairman Shelden left to go to the Senate to testify on a bill and Rep. Harper assumed the chair.

SENATE JOINT RESOLUTION 4

Rep. Hurwitz said their subcommittee had met and talked with Senators Manley and McCallum. He said he had drawn up a statement of what Senator Manley wants his bill to say. This is exhibit 4 of the minutes. It was decided to have Debbie Schmidt rework SJR 4 so that it will say this.

SENATE BILL 111

Rep. Metcalf went through the two suggested amendments: amend page 7, line 23, following "owners", insert "increased"; and on page 7, line 24, following "production", insert "from such subsequent program". He said these amendments would make it clear in the law that the recovery of costs would come from additional output. Rep. Metcalf moved the amendments and they carried with those present (absent being Quilici, Nathe, Huennekens, Hirsch, Shelden). Rep. Cox moved SB 111 as amended be concurred in. Rep. Curtiss seconded the motion. Motion carried unanimously with those present. Reps. Bengtson and Shelden had left their vote to be cast to the affirmative. Absent were Quilici, Nathe, Huennekens.

SENATE JOINT RESOLUTION 24

Kessler moved be concurred in. Motion carried unanimously with those present (same absent as the prior bill).

Meeting adjourned at 9:50 a.m.

Respectfully submitted,

Arthur V. Shelden

ARTHUR SHELDEN, Chairman

EAS

SB 111 SENATOR MATHERS, District 26, said this is a simple bill which just adds to the oil and gas laws the words "enhanced recovery." He said this amounts to injecting under pressure a detergent into the oil fields so more oil can be recovered. If the bill passes, the plans are to initiate this in the Bell Creek oil fields. A statement concerning this is exhibit 1 and part of the minutes.

DON ALLEN, Montana Petroleum Association, said anything we can do in the state of Montana to encourage the recovery of oil that is there will be in the state's best interest.

During questions it was brought out this was a new innovation that had been tried in the southwest--but didn't know how successfully. Mr. Allen said all would be watching to see how it will succeed. He said about half the oil under the ground has not been recovered. Mr. Raymond Peete, representing Gary Operating Co., had been expected to help testify but was not present. A question was asked about what the detergent was--answer:similar to dishwashing detergent.

Rep. Hurwitz questioned why a law was needed--couldn't this just be done. Senator Mathers said it has to be a pool agreement--everybody in the field has to participate--because of the money invested and all will benefit. Also because of the vast investment the oil people want to be sure the laws will be supportive.

The state will not be affected in any way except they will collect more taxes from the increased production.

Rep. Nathe brought out that new oil and old oil (from secondary and third pumpings) had a different value. He said it didn't used to pay to remove the old oil. Mr. Allen said this is no longer true and 54% of the wells pump and 11% of the oil now comes from secondary or tertiary methods.

Rep. Metcalf questioned what happens to the detergent and what affect will it have on the aquifers. Rep. Nathe said as long as the detergent stays in the same geographical strata, he didn't think there would be any effect. Mr. Allen was going to check this out.

Chairman Shelden said this bill, as it didn't have 72 hours notice, would be open to other testifiers if someone wished to do so.

The committee further discussed SB 110. Rep. Frates mentioned in Yellowstone County they reduced the taxes on homes and increased it on unused land within subdivisions to encourage the development of those lands. Rep. Davis said his county, Gallatin County, has probably the hottest subdivision problems in the state. He felt the negative aspects of the subdivision law might be discouraging developers from trying to get high density subdivisions within the city limits and so more agriculture land is being lost to small tracts. He felt another result was the growth of mammoth mobile home parks which provide very little tax base to help support the schools. Rep. Harper mentioned this was a good example of why we should get away from the property tax and tax incomes.

Feeling of the committee seemed to be that the problem was great,

January 27 19 77

MR. President

We, your committee on Business and Industry

having had under consideration SENATE Bill No. 111

Respectfully report as follows: That SENATE Bill No. 111,
introduced bill, be amended as follows:

1. Amend page 7, section 3, line 23.
Following: "from"
Strike: "."

AND AS SO AMENDED
DO PASS

G.A.

FRANK W. HAZELBAKER, Chairman.

STATE PUB. CO.
Helena, Mont.

ROLL CALL

Business & Industry Committee

[illegible] LEGISLATIVE [illegible]

NAME	PRESENT	ABSENT	EXCUSED
Pat Regan, Vice Chairman	✓		
Allen Kolstad			✓
Pat Goodover	✓		
Bill Lowe	✓		
Jack Devine	✓		
Sandy Mehrens	✓		
Bob Peterson	✓		
Frank Hazelbaker, Chairman	✓		

STATEMENT IN SUPPORT OF S. B. 111

The purpose of Senate Bill No. 111 is to amend Title 60, Oil and Gas, Chapter 1, Conservation of Oil and Gas--Commission. The first portion of Title 60 to be amended, is the definitive section, by adding a definition of "enhanced recovery." Enhanced recovery is any program which may be initiated in a pool capable of producing oil or gas for the purpose of recovering production in addition to primary production.

The balance of Senate Bill No. 111 is to amend the statutory unitization portion of Title 60, to provide for the substitution of the term "enhanced recovery" for the terms "pressure maintenance" and "secondary recovery," and further, to provide the method of recovering a non-contributing lessee's share of the costs of any enhanced recovery program initiated subsequent to a secondary recovery program.

Presently, the statutory unitization portion of Title 60 provides that in the event a qualified lessee, owning an oil and gas lease covering a portion of a pool capable of producing oil or gas, wants to unitize all of the leases covering all of the pool, and such lessee can obtain the consent to unitization from those parties who own, or claim an interest in, eighty percent of the production from the pool; the lessee can then apply to the Board of Oil and Gas Conservation of the State of Montana for an order forcing the remaining twenty percent interest owners into the unit. The purpose of this unitization would be to initiate a pressure maintenance or secondary recovery program.

At the time the statutory unitization portion of Title 60 was passed by the Legislature, it was not contemplated that any programs, other than pressure maintenance or secondary recovery, could be initiated to obtain production other than primary production.

Senator Lowe asked Mr. Peete, how many years is it going to take to harvest this oil on the tertiary system? Mr. Peete stated it would take from 5-7 years before you start getting back your tertiary oil.

Senator Goodover asked Mr. Peete, in injecting this material does this go into the actual well itself? Mr. Peete stated no, there are injection wells specifically for this purpose.

An error was found in the bill on page 7, section 3, line 23. It should be 75% not .75%. This will be corrected with a committee report.

After some discussion, Senator Devine made a motion that SB 111 As Amended, Do Pass. Senator Lowe seconded. All were in favor.

ADJOURN: There being no further business, Chairman Hazelbaker adjourned the meeting at 11:30 a.m.

FRANK W. HAZELBAKER, CHAIRMAN

SENATE BILL NO. 111

INTRODUCED BY MATHERS, TURNAGE

A BILL FOR AN ACT ENTITLED: "AN ACT TO DEFINE THE TERM "ENHANCED RECOVERY"; TO SUBSTITUTE THE TERM "ENHANCED RECOVERY" FOR THE TERMS "PRESSURE MAINTENANCE" AND "SECONDARY RECOVERY"; AND TO PROVIDE FOR RECOVERY OF COSTS OF AN ENHANCED RECOVERY PROGRAM INITIATED SUBSEQUENT TO A SECONDARY RECOVERY PROGRAM; AMENDING SECTIONS 60-126, 60-131.1, AND 60-131.3, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 60-126, R.C.M. 1947, is amended to read as follows:

"60-126. Definitions. As used in this chapter, unless the context requires otherwise:

(1) "Waste" means: (1) physical waste, as that term is generally understood in the oil and gas industry; (2) the inefficient, excessive, or improper use of, or the unnecessary dissipation of reservoir energy; (3) the location, spacing, drilling, equipping, operating or producing of any oil or gas well or wells in a manner which causes, or tends to cause, reduction in the quantity of oil or gas ultimately recoverable from a pool under prudent and proper operations, or which causes or tends to cause unnecessary or excessive surface loss or destruction of oil or gas; and, (4) the inefficient storing of oil or gas. The production of oil or gas from any pool or by any well to the full extent that the well or pool can be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the board, is not waste within the meaning of this definition.

(2) "Board" means the board of oil and gas conservation provided for in section 82A-1508.

(3) "Person" means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind, and includes any agency or instrumentality of the state or any governmental subdivision thereof.

(4) "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form by ordinary production methods, and which are not the result of condensation of gas before or after it leaves the reservoir.

(5) "Gas" means all natural gases and all other fluid hydrocarbons as produced at the wellhead and not defined as oil in subsection (4) of this section.

(6) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both; each zone of a structure which is completely separated from any other zone

REFERENCE BILL

in the same structure is a pool, as that term is used in this chapter.

(7) "Field" means the general area underlaid by ~~one (1)~~ or more pools.

(8) "Owner" means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas he produces therefrom either for himself or others or for himself and others, and the term includes all persons holding such authority by or through him.

Nothing herein contained shall be construed to conflict with subsection (4) of section 81-1702, granting the state board of land commissioners the authority to enter into pooling and unitization agreements for the production of oil or gas with others.

(9) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

(10) "Department" means the department of natural resources and conservation provided for in Title 82A, chapter 15.

(11) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or by the application of energy extrinsic to the pool; such artificial means or application includes pressuring, cycling, pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in secondary recovery and

tertiary programs but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the well by mechanical, chemical, thermal, or explosive means."

Section 2. Section 60-131.1, R.C.M. 1947, is amended to read as follows:

"60-131.1. Operation of pool as unit -- board to hold hearing -- notice. (1) The board, upon the application of persons owning leasehold interests underlying sixty per cent (60%) of the surface within the delineated area, shall hold a hearing to consider the need for the operation as a unit of one (1) or more pools or parts thereof in a field, for ~~pressure maintenance or secondary recovery~~ enhanced recovery purposes as to oil or oil and gas, to increase ultimate recovery, or to prevent waste of gas from pools or portions of pools where gas only is produced.

(2) At least sixty (60) days prior to application, the applicant shall, by registered or certified mail, notify all known persons owning an interest in the oil and gas within the proposed unit area as disclosed by the records of the county or counties in which the proposed unit area is situated, at that person's last known address, of the applicant's intention to make the application. At the same time producers shall be furnished with a plan of unit

operations. Upon written request of an operator of a lease which is in whole or in part within the confines of the proposed delineated area, the applicant shall furnish the operator with copies of any exhibits to be submitted to the board at the time of hearing."

Section 3. Section 60-131.3, R.C.M. 1947, is amended to read as follows:

"60-131.3. Terms and conditions of order -- requirements. The order shall be upon terms and conditions that are just and reasonable and shall prescribe a plan for unit operations that shall include:

(1) A description of the pool or pools or parts thereof to be so operated, termed the unit area, but only so much of a pool as has reasonably been defined and determined by drilling operations to be productive of oil or gas may be included within the unit area. If the unit is formed solely for production of gas, a spacing unit on which is located a well producing or capable of producing gas on March 1, 1971, may not be included in the unit area without the written consent of the majority in interest of the working interest owners of the spacing unit and well.

(2) A statement of the nature and purpose of the plan and operations contemplated, together with a copy of the proposed unit agreement and unit operating agreement.

(3) A plan for allocating to each tract in the unit

area its fair share of the oil and gas produced from the unit area and not required or consumed in the conduct of the operation of the unit area or unavoidably lost. A plan may not be approved by the board until it has considered the relative value that the share of production bears to the relative value of all of the separately owned tracts in the unit area, exclusive of physical equipment utilized in unit operations. In considering this relative value, the board shall weigh the economic value of the gas to all persons affected as compared to the economic value of the oil to all persons affected.

(4) A provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operations.

(5) A provision providing how the costs of unit operations, including overhead and capital investments, shall be determined and charged to the separately owned tracts, including a provision for carrying or otherwise financing any owner who has not executed the proposed unit operating agreement and who elects to be carried or otherwise financed, allowing an interest charge of the then current prime rate plus two per cent (2%) for the service. Recovery of the money advanced, plus interest, shall be

limited to, and only shall be recoverable from, the owners' share of production. The recovery shall be as follows:

(a) (1) In the case of a field producing oil, or oil and gas, during the period of depletion of the remaining estimated primary reserves from the unit, only from the production that is in excess of the owners' average actual rate of production during the eighteen (18) months immediately preceding the effective date of the unit. For purposes of this subsection, the term "primary reserves" means the oil or gas which would be produced from the unitized pool or pools ~~or~~ as a result of the natural energy therein and without the introduction of ~~a secondary~~ an enhanced recovery program.

(2) During the period subsequent to the depletion of the remaining estimated primary reserves from the unit, from one hundred per cent (100%) of the owners' share of production.

(b) In the case of a field producing only gas, the recovery shall be from one hundred per cent (100%) of the owners' share of production.

(c) In the case of any enhanced recovery program that is initiated subsequent to a secondary recovery program, the recovery shall be from 75% of the owners' INCREASED share of production FROM SUCH SUBSEQUENT PROGRAM.

(6) A provision for the supervision and conduct of the

unit operations, in respect to which each owner shall have a vote with a value corresponding to the percentage of the costs of unit operations chargeable against the interest of the owner.

(7) A provision whereby the unit operator, after having operated for a minimum period of two (2) years, can be challenged by any other owner in the unit, and the challenging owner may succeed to the unit operations upon a showing that: (a) he can operate more efficiently and economically than the present operator; (b) he is qualified and financially responsible; (c) a majority of the other owners, both in number and in percentage and exclusive of the challenged operator, approved the challenging owner becoming unit operator; and, (d) the challenged operator does not initiate the conditions of operations of the challenging owner within sixty (60) days of the challenged operator's receipt of the conditions of operations.

(8) The time when the unit operations shall commence, and the manner in which, and the circumstances under which, the unit operations shall terminate; and

(9) Such additional provisions that are found to be appropriate for carrying on unit operations and for the protection and adjustment of correlative rights."

-End-